

**Creek County Rural Water District No. 1  
Kellyville, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended December 31, 2020

Audited by

**BLEDSON, HEWETT & GULLEKSON  
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP**

BROKEN ARROW, OK

**Creek County Rural Water District No. 1**  
**Kellyville, Oklahoma**  
Board of Directors  
December 31, 2020

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**DISTRICT MANAGER**

Mitch Conley

**OFFICE MANAGER**

Amy Pardus

**Creek County Rural Water District No. 1**  
**Kellyville, Oklahoma**  
December 31, 2020

TABLE OF CONTENTS

	<u>Page</u>
Board of Directors	1
Table of Contents	2
Independent Auditor's Report	3
Management's Discussion and Analysis	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	9
Independent Auditors Report on Compliance for Each Major Program and on Internal Controls Over Compliance Required by the Uniform Guidance	11
Disposition of Prior Year's Significant Deficiencies	13
Schedule of Audit Results	14
<u>COMBINED FINANCIAL STATEMENTS:</u>	
Statement of Net Position	15
Statement of Revenues, Expenses and Changes in Net Position	16
Statement of Cash Flows	17
Notes to Financial Statements	18
<u>OTHER SUPPLEMENTARY INFORMATION:</u>	
Schedule of Expenditures of Federal Awards	25
Schedule of Water Rates and Customers (unaudited)	26



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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Creek County Rural Water District No. 1  
Kellyville, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Creek County Rural Water District No. 1 (the District), Kellyville, Oklahoma, as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2020 and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the District's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The prior year "memorandum only" comparative information and the supplementary information on page 26 presented for the purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

***Bledsoe, Hewett & Gullekson***

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP

July 12, 2021

**RURAL WATER DISTRICT NO. 1, CREEK COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2020**

Our discussion and analysis of the Rural Water District No. 1, Creek County's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2020. Please read it in conjunction with the District's financial statements that begin on page 15.

**FINANCIAL HIGHLIGHTS:**

- The District's total operating revenues exceeded total operating expenditures by \$153,303. Overall, the District's total net position increased by \$511,730 in the current fiscal year.
- The Water Plant supplied a total of 492,000,000 gallons of water in 2020.
- The District sold 39 new taps in 2020, making a total of 2,712 total benefit units in the District.
- In 2019, the District was approved by USDA Rural Development for a \$3,400,000 loan and a \$1,484,000 grant to assist in water system improvements. All the loan proceeds and some of the grant proceeds were received in 2020.

**Using This Report**

This report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's basis of accounting.

**Basis of Accounting**

The District has elected to present its financial statements in the accrual basis of accounting. According to the accrual basis, revenues are recorded when earned and expenses are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

**The Financial Statements**

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net position, and the Statement of Cash Flows report information about the District and about its activities in a way that helps answer this question.

These three statements report the District's net position and the changes in them. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in water rates paid or charged and the condition of the District's water system, to assess the overall health of the District.

The District has only one type of fund or activity, which is defined as *Business-type activities*. This is considered a proprietary fund. This means the District charges a fee to customers to help it cover all or most of the cost of certain services it provides.

### **Net Position, and Changes in Net Position**

The District's Net Position was higher in 2020, increasing from \$6,361,944 to \$6,848,974. Our analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the District's business-type activities.

**Table 1 – Net Position:**

	<u>2020</u>	<u>2019</u>	<u>Variances</u>
Current and other assets	\$ 2,436,567	2,988,007	(551,440)
Capital assets, net	<u>7,897,387</u>	<u>5,019,442</u>	<u>2,877,945</u>
Total Assets	<u>\$ 10,333,954</u>	<u>8,007,449</u>	<u>2,326,505</u>
Current liabilities	\$ 89,024	60,133	(28,891)
Long-term liabilities	<u>3,371,256</u>	<u>1,585,372</u>	<u>(1,785,884)</u>
Total Liabilities	<u>\$ 3,460,280</u>	<u>1,645,505</u>	<u>(1,814,775)</u>
Invest. In capital assets, net			
of related debt	\$ 4,526,131	3,434,070	1,092,061
Restricted	121,188	0	121,188
Unrestricted	<u>2,226,355</u>	<u>2,927,874</u>	<u>(701,519)</u>
Total Net Position	<u>\$ 6,873,674</u>	<u>6,361,944</u>	<u>511,730</u>

Net Position of the District increased by 8.0 percent (\$6,873,674 compared to \$6,361,944). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased from \$2,927,874 to \$2,226,355.

**Table 2 – Changes in Net Position:**

	<u>2020</u>	<u>2019</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 2,155,788	2,458,470	(302,682)
Insurance reimbursements	120,150	0	120,150
Proceeds from pension annuity	229,000	0	229,000
Other income and fees	6,150	2,870	3,280
Grant proceeds	260,308	0	260,308
Interest	23,673	31,366	(7,693)
Total Revenues	<u>\$ 2,795,069</u>	<u>2,492,706</u>	<u>302,363</u>
Expenses:			
Salaries, taxes and benefits	\$ 427,229	396,300	(30,929)
Maintenance and repairs	252,020	272,661	20,641
Chemicals	520,466	469,515	(50,951)
Other expenses	416,994	467,190	50,196
Depreciation/amortization	352,926	158,136	(194,790)
Interest on loan	84,812	27,617	(57,195)
Pension distribution	228,892	0	(228,892)
Total Expenses	<u>\$ 2,283,339</u>	<u>1,791,419</u>	<u>(491,920)</u>
Changes in Net Position	511,730	701,287	(189,557)
Net Position, Beginning	<u>6,361,944</u>	<u>5,660,657</u>	<u>701,287</u>
Net Position, Ending	<u>\$ 6,873,674</u>	<u>6,361,944</u>	<u>511,730</u>

The District's total revenues increased by 12.1 percent (\$302,363). The total cost of all services increased by 27.4 percent (\$491,920). These changes are mainly due to the grant proceeds received and the pension liquidation in 2020.

### **Capital Assets**

At December 31, 2020, the District had \$7,897,387 invested in capital assets, net of depreciation, including land, the water system, vehicles, equipment and lines. Additional capital assets of \$3,229,519 were added during the 2020 fiscal year, which was the continuation of the water treatment plant rehabilitation and expansion, transmission pipeline and treatment plant site piping, storage tank project and storage tank recoating – all part of the USDA loan/grant project, and a boring machine.



### **Long-Term Debt**

In 2020, the District received additional loan proceeds from BancFirst for the water improvement projects. In June 2020, the District received the \$3,400,000, 1.875% interest, 40 year loan funds from USDA/Rural Development, and paid off the BancFirst loan with these proceeds. The District began making payments to Rural Development in June 2020. As of December 31, 2020, the outstanding principal balance on the note is \$3,371,256.

### **USDA/Rural Development Grant**

In 2019, the District was approved for a \$1,484,000 grant to use for the water improvement projects. In 2020, the District received \$260,308 of grant funds for these projects.

### **Economic Factors and Next Year's Budget and Rates**

For the upcoming fiscal year ending December 31, 2021 the District's projected budget is fairly consistent with the 2020 fiscal year.

For the fiscal year 2021, the District may have to again increase rates to users to meet demands if the cost of water purchased and everyday expenses are substantially increased. If demand is increased on existing lines and equipment, or additional memberships are substantially increased, it may be necessary for the District to incur some long-term debt to meet these demands. As of the date of this report, none of these situations are probable for the 2021 year.

### **Contacting the District**

This report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District Office at P.O. Box 406, Kellyville, OK 74039, or call (918) 247-6465.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Creek County Rural Water District No. 1  
Kellyville, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the Creek County Rural Water District No. 1 (the District), Kellyville, Oklahoma, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 12, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting in order to determine our auditing procedures that are appropriate for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant

deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in the internal controls that we consider to be material weaknesses.

#### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bledsoe, Hewett & Gullekson*

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP

July 12, 2021



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Creek County Rural Water District No. 1  
Kellyville, Oklahoma

**Compliance**

We have audited the compliance of Creek County Rural Water District No. 1, (the District) Kellyville, Oklahoma, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2020.

### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be detected or prevented by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Board of Directors, management and the Federal Clearinghouse, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Bledsoe, Hewett & Gullekson*

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP

July 12, 2021

**CREEK COUNTY RURAL DISTRICT NO. 1**  
**Disposition of Prior Year's Significant Deficiencies**  
**December 31, 2020**

There were no prior year significant deficiencies.

**CREEK COUNTY RURAL WATER DISTRICT NO. 1**  
**Schedule of Audit Results**  
**December 31, 2019**

Section 1 – Summary of Auditor’s Results

1. An unmodified opinion report was issued on the financial statements.
2. The audit did not identify any material weaknesses and did not report any significant deficiencies not considered to be material weaknesses in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.
4. The audit did not identify any material weaknesses and did not report any significant deficiencies not considered to be material weaknesses in the internal controls over major programs.
5. An unmodified opinion report was issued on the compliance of major programs.
6. The audit disclosed no audit findings which are required to be reported under the Uniform Guidance, 2 CFR 200.516(a).
7. Programs determined to be major were the USDA Loan/Grant, CFDA number 10.766, which were clustered in determination.
8. The dollar threshold used to determine between Type A and Type B programs was \$750,000.
9. The district was determined not to be a low-risk auditee.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

NONE

Section 3 – Findings and questioned costs for federal awards:

NONE

**CREEK COUNTY RURAL WATER DISTRICT NO. 1**  
**Statement of Net Position**  
**December 31, 2020**

	<u>2020</u>	<u>-Memorandum- -Only- 2019</u>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash	\$ 267,166	992,449
Investments	1,868,337	1,767,320
Accounts receivable	96,270	82,117
Accrued interest receivable	4,680	3,262
Inventory	124,408	118,484
Prepaid expenses	22,946	24,375
Total current assets	<u>2,383,807</u>	<u>2,988,007</u>
Capital Assets:		
Land	8,249	8,249
Plant and distribution system	11,464,184	8,260,665
Trucks and vehicles	310,097	310,097
Buildings	101,174	101,174
Furniture and equipment	35,704	35,704
Other equipment	140,524	114,524
Total capital assets	<u>12,059,932</u>	<u>8,830,413</u>
Less: accumulated depreciation	<u>(4,162,545)</u>	<u>(3,810,971)</u>
Total capital assets (net)	<u>7,897,387</u>	<u>5,019,442</u>
Other Assets:		
Loan costs, less amortization	<u>52,760</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,333,954</u></b>	<b><u>8,007,449</u></b>
 <b><u>LIABILITIES</u></b>		
Current Liabilities:		
Accounts payable	\$ 68,252	37,861
Refundable deposits	20,772	22,272
Notes Payable	<u>3,371,256</u>	<u>1,585,372</u>
Total Liabilities	<u>3,460,280</u>	<u>1,645,505</u>
 <b><u>NET POSITION</u></b>		
Net investment in capital assets	4,526,131	3,434,070
Restricted assets	121,188	0
Unrestricted assets	<u>2,226,355</u>	<u>2,927,874</u>
Total Net Position	<u>6,873,674</u>	<u>6,361,944</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 10,333,954</u></b>	<b><u>8,007,449</u></b>

The accompanying notes to the financial statements are an integral part of this statement



**CREEK COUNTY RURAL WATER DISTRICT NO. 1**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For The Year Ended December 31, 2020**

	2020	-Memorandum- -Only- 2019
<b>Operating Revenues:</b>		
Water sales	\$ 2,100,987	2,380,019
Lease revenue	7,320	7,320
Installations and connections	8,481	39,131
Other income and fees	6,150	2,870
Total revenues from operations	<u>2,122,938</u>	<u>2,429,340</u>
<b>Operating Expenses:</b>		
Backhoe and hauling	15,490	18,433
Chemicals	520,466	469,515
Professional fees	27,451	79,231
Fittings, meters and connections	169,226	202,852
Franchise and storage	26,046	21,887
Insurance, general	44,607	39,263
Insurance, health	154,813	158,071
Office and postage	16,476	18,299
Maintenance and repairs	82,794	82,283
Retirement	32,052	35,219
Salaries and taxes	395,177	361,081
Vehicles	21,968	16,105
Utilities	105,843	99,751
Miscellaneous	4,300	3,676
Depreciation/amortization	352,926	158,136
Total expenses from operations	<u>1,969,635</u>	<u>1,763,802</u>
Operating Income (Loss)	153,303	665,538
<b>Non-Operating Revenues (Expenses):</b>		
Interest income	23,673	31,366
Benefit units	39,000	32,000
Proceeds from pension annuity	229,000	0
Insurance reimbursements	120,150	0
USDA grant proceeds	260,308	0
Pension distribution	(228,892)	0
Interest paid on debt	(84,812)	(27,617)
Total non-operating revenues (expenses)	<u>358,427</u>	<u>35,749</u>
Change in Net Position	511,730	701,287
Total Net Position, beginning of period	<u>6,361,944</u>	<u>5,660,657</u>
Total Net Position, end of period	<u>\$ 6,873,674</u>	<u>6,361,944</u>

The accompanying notes to the financial statements are an integral part of this statement

**CREEK COUNTY RURAL WATER DISTRICT NO. 1**  
**Statement of Cash Flows**  
**For Year Ended December 31, 2020**

	2020	-Memorandum- -Only- 2019
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers	\$ 2,107,285	2,442,592
Payments to employees	(427,229)	(396,300)
Payments to vendors	(1,162,087)	(1,145,878)
Net Cash Provided by Operating Activities	<u>517,969</u>	<u>900,414</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Refundable deposits	(1,500)	0
Proceeds from pension annuity	229,000	0
USDA grant proceeds	260,308	0
Loan proceeds (USDA and BancFirst)	4,672,887	1,585,372
Additions to capital assets	(3,229,519)	(1,970,510)
Principal paid on loan	(2,886,993)	0
Interest paid on loan	(84,812)	(27,617)
Loan costs paid, to be amortized	(54,112)	0
Insurance reimbursements	120,150	0
Pension distribution	(228,892)	0
Net cash provided by (used in) capital and related financing activities	<u>(1,203,483)</u>	<u>(412,755)</u>
<b>Cash Flows from Investing Activities:</b>		
Benefit units	39,000	32,000
Interest revenue	22,248	31,384
Net cash provided by (used in) investing activities	<u>61,248</u>	<u>63,384</u>
Net Increase (Decrease) in Cash and Equivalents	(624,266)	551,043
Cash and cash equivalents, beginning of period	<u>2,759,769</u>	<u>2,208,726</u>
Cash and cash equivalents, end of period	<u>\$ 2,135,503</u>	<u>2,759,769</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating Income (loss)	\$ 153,303	665,538
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and Amortization Expense	352,926	158,136
(Increase) decrease in accounts receivable	(14,153)	13,252
(Increase) decrease in inventory	(5,924)	51,536
(Increase) decrease in prepaid expenses	1,426	6,912
Increase (decrease) in accounts payable	30,391	5,040
Net Cash Provided by Operating Activities	<u>\$ 517,969</u>	<u>900,414</u>

The accompanying notes to the financial statements are an integral part of this statement

**CREEK COUNTY RURAL WATER DISTRICT NO. 1**  
**Notes to Financial Statements**  
**December 31, 2020**

**Note A – Significant Accounting Policies**

Organization

Creek County Rural Water District No. 1 (the District) is an Oklahoma non-profit water district organized under Title 82 of Oklahoma Statutes to provide water service to rural residents of Creek County, Oklahoma. The District is considered a political subdivision of the State of Oklahoma.

Basis of Accounting

The accrual basis of accounting is followed for all accounts. Revenues are recorded when earned and liabilities are recognized when incurred. This policy is in accordance with generally accepted accounting principles. The District has also complied with GASB Statement No. 34 financial reporting requirements.

Reporting Entity

The District is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost of providing water services is financed through user charges. The District produces its own water supply.

Cash

The District's accounts are with the American Heritage Bank, Sapulpa, Oklahoma, and are detailed as follows:

	December 31,	
	2020	2019
Cash on hand	\$ 300	300
Petty cash	300	300
Operation and Maint. Account	339,556	989,977
Pension Plan Account	6,803	6,695
Add: Deposits in transit	-	-
Less: Outstanding checks	(79,793)	(4,823)
Total	<u>\$ 267,166</u>	<u>992,449</u>

**CREEK COUNTY RURAL WATER DISTRICT NO. 1**  
**Notes to Financial Statements**  
**December 31, 2020**

**Note A – Significant Accounting Policies – cont'd**

**Cash and Cash Equivalents**

For the purposes of preparing the statement of cash flows, cash on hand, reconciled cash in savings and checking, and certificates of deposit that can be converted into cash (if necessary) are considered cash equivalents.

**Investments**

The District had the following outstanding investments at December 31, 2020:

Spirit Bank-	
Certificate of Deposit no. 300110162	\$ 16,129
Certificate of Deposit no. 300192777	16,129
Certificate of Deposit no. 300135785	62,503
Community Bank-	
Money Market Account	10,029
Certificate of Deposit no. 23628 (reserve)	220,861
Certificate of Deposit no. 23950	211,166
Certificate of Deposit no. 23951	211,166
Certificate of Deposit no. 24004	85,870
Certificate of Deposit no. 24005	85,870
Certificate of Deposit no. 23550	70,912
Certificate of Deposit no. 24000	25,000
Certificate of Deposit no. 24001	25,000
BancFirst-	
Certificate of Deposit no. 331000112	243,913
American Heritage Bank-	
Savings Account	406,284
Certificate of Deposit no. 100021039	87,253
Certificate of Deposit no. 100003141	87,253
Total Investments	<u>\$ 1,865,338</u>

Custodial Credit Risk - At December 31, 2020, the District held deposits of approximately \$2,214,696 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

**CREEK COUNTY RURAL WATER DISTRICT NO. 1**  
**Notes to Financial Statements**  
**December 31, 2020**

**Note A – Significant Accounting Policies – cont'd**

Oklahoma Statutes authorize the District to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the District can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

Fair Value of Financial Instruments – The District's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and notes payable. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair values because of the short maturity of these instruments.

Accounts Receivable

Billings for accounts receivable at December 31, 2020 were \$96,270. Allowance for doubtful accounts was not computed on this balance because uncollectibles do not have a material effect on the balance sheet.

Federal Income Tax

The District is exempt from Federal and State income taxes.

Accumulated Unpaid Vacation and Sick Pay

At December 31, 2020, no determination of the aggregate dollar value of vacation or sick pay had been made.

Memorandum Totals

The "Memorandum Only" captions above the columns mean that amounts are presented for comparative and information purposes only.

**CREEK COUNTY RURAL WATER DISTRICT NO. 1**  
**Notes to Financial Statements**  
**December 31, 2020**

**Note A – Significant Accounting Policies – cont’d**

Capital Assets

Any items purchased or constructed in excess of \$1,000 and has a useful life of over two years is considered a capital (fixed) asset by the District and will be depreciated over a specific time. The capital asset information for the District is shown below:

	12/31/2019 Amount	Additions	Deletions	12/31/2020 Amount
Land	\$ 8,249	-	-	8,249
Plant and dist. system	8,260,665	3,203,519	-	11,464,184
Trucks and equipment	310,097		-	310,097
Buildings	101,174		-	101,174
Office furn. & equip.	35,704	-	-	35,704
Other equipment	114,524	26,000	-	140,524
Total Capital Assets	6,626,200	3,229,519	-	12,059,932
Less: Accumulated Depreciation	(3,810,971)	(351,574)	-	(4,162,545)
Total	<u>\$ 2,815,229</u>	<u>2,877,945</u>	<u>-</u>	<u>7,897,387</u>

Equity Classification

Equity is classified as net position and displayed in three components:

1. Net Investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) laws through constitutional provisions of enabling legislation.
3. Unrestricted – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**CREEK COUNTY RURAL WATER DISTRICT NO. 1**  
**Notes to Financial Statements**  
**December 31, 2020**

**Note B – Long-Term Debt**

Long-Term Debt consists of two notes:

1. Rural Development 91-01 - The District has a 2020 promissory note in the amount of \$2,949,000 with Rural Development for a period of 40 years. The District makes monthly principal and interest payments of \$8,759. The fixed interest rate on this note is 1.875%. The water system and future water revenues are used as security for this note.
2. Rural Development 91-03 - The District has a 2020 promissory note in the amount of \$451,000 with Rural Development for a period of 40 years. The District makes monthly principal and interest payments of \$1,340. The fixed interest rate on this note is 1.875%. The water system and future water revenues are used as security for this note.

	December 31,	
	2020	2019
BancFirst note payable, dated 2019, issued for \$3,400,000, at 5% interest, bridge loan	\$ -	1,585,372
Rural Development 91-01 note payable, dated 2020, issued for \$2,949,000, at 1.875% interest, due in monthly installments, until paid;	2,924,071	-
Rural Development 91-03 note payable, dated 2020, issued for \$451,000, at 1.875% interest, due in monthly installments, until paid;	447,185	-
Long-Term Debt Outstanding	3,371,256	1,585,372
Less: Current maturities of long-term debt	(58,479)	(1,585,372)
Total Long-Term Debt, Net	<u>\$ 3,312,777</u>	<u>-</u>

The District borrowed funds from BancFirst in 2019 and early 2020 to finance the approved USDA/Rural Development improvement projects. Once the Rural Development loan proceeds were received in June 2020, the BancFirst loan was paid off, and the District began making loan payments on the Rural Development notes in July 2020.

**CREEK COUNTY RURAL WATER DISTRICT NO. 1**  
**Notes to Financial Statements**  
**December 31, 2020**

**Note B – Long-Term Debt**

The scheduled maturities for the next five (5) years, and in total thereafter, are detailed as follows:

<u>Year</u>	<u>Total</u>	<u>RD 91-01</u>	<u>RD 91-03</u>
2021	\$ 58,479	50,717	7,762
2022	59,586	51,677	7,909
2023	60,712	52,654	8,058
2024	61,861	53,650	8,211
2025	63,030	54,664	8,366
2026-30	333,490	289,226	44,264
2031-35	366,240	317,629	48,611
2036-40	402,207	348,822	53,385
2041-45	441,705	383,078	58,627
2046-50	485,083	420,698	64,385
2051-55	532,720	462,012	70,708
2056-60	506,143	439,244	66,899
Total	<u>\$ 3,371,256</u>	<u>2,924,071</u>	<u>447,185</u>

Restricted Assets

The Rural Development loan agreements require the District to set aside funds into a Reserve Account equal to the amounts to be paid in a given year on these notes, which is \$105,108 for Note 91-01 and \$16,080 for Note 91-03. Once the required reserve balances are met, no further deposits are required to be held, except to replace withdrawals. As of December 31, 2021, the required balance for the reserve account was \$121,188, which is the required balance, represented by CD no. 23628 at Community Bank. This balance is showed as part of investments on the financial statements and showed as a restricted net position.

**Note C – Insurance and Surety Bond Coverage**

The District appears to have had adequate insurance to cover all major perils at December 31, 2020.



**CREEK COUNTY RURAL WATER DISTRICT NO. 1**  
**Notes to Financial Statements**  
**December 31, 2020**

**Note D – Retirement Plan**

The District has a noncontributory defined benefit pension plan covering all employees 20.5 years old after six months of employment. Plan benefits are 2% of compensation times years of service. Minimum retirement age is 65, minimum years of participation is five years. The plan pays a pre-retirement death benefit that is the greater of the insurance or the present value of the accrued benefit. Vesting is; 2 years – 20%, 3 years – 40%, 4 years – 60%, 5 years – 80%, 6 years – 100%. Funding of the pension plan is through individual insurance and annuity contracts. The actuarial assumptions used to compute contributions are the same as used to compute pension obligations. For the plan year ended February 28, 2021 (the latest available) the total payroll was \$348,935, the total payroll for participants was \$348,935. Contributions to the plan were \$47,879, or 13.7% of payroll. During the 2020 year, one employee retired and \$229,000 was liquidated from the pension plan account and issued to the retiree.

**Note E – Subsequent Events**

Management has evaluated subsequent events through July 12, 2021, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

CREEK COUNTY RURAL WATER DISTRICT NO. 1  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Federal Grantor / Pass Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Balance at 1/1/20</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>	<u>Balance at 12/31/20</u>
<u>U.S. Department of Agriculture</u>						
<u>Direct Programs:</u>						
USDA Loan/Grant	10.766	<u>\$ 4,884,000</u>	<u>(1,585,372)</u>	<u>3,660,308</u>	<u>3,201,519</u>	<u>(1,126,583)</u>

**CREEK COUNTY RURAL DISTRICT NO. 1**  
**Schedule of Water Rates and Customers**  
**-Unaudited Information-**  
**December 31, 2020**

Water Rates

\$22.00 minimum  
\$5.20 per 1,000 gallons after

Water Loss

	<u>2020</u>	<u>2019</u>
Total gallons pumped	492,767,589	473,837,000
Total gallons sold to District customers	<u>(460,322,743)</u>	<u>(429,562,772)</u>
Total water loss	<u>32,444,846</u>	<u>44,274,288</u>
Percentage of water loss	<u>6.58%</u>	<u>9.34%</u>

Customers

The District had 2,712 taps at the close of the fiscal year.

Current membership (benefit unit) cost is \$1,500 for a 5/8" meter setting.